



THE CITY OF SAN DIEGO

## Redevelopment Agency's Report

DATE ISSUED: April 19, 2006

REPORT NO. RA-06-09

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of April 25, 2006

SUBJECT: Exclusive Negotiating Agreement (ENA) for the proposed Aztec Inn Project  
within the Crossroads Redevelopment Project Area

REFERENCE: None

### **REQUESTED ACTION:**

Authorize the Executive Director to enter into an Exclusive Negotiating Agreement (ENA) with AMCAL Diversified Corporation for the proposed Aztec Inn Project and Amend the Fiscal Year 2006 Redevelopment Agency Budget for Crossroads?

### **STAFF RECOMMENDATION:**

- Approve an ENA with AMCAL Diversified Corporation for the proposed Aztec Inn Project and accept the deposit of \$70,000.
- Amend the Fiscal Year 2006 Redevelopment Agency Budget for Crossroads and authorize expenditure of funds in an amount not to exceed \$70,000 for costs related to the ENA.

### **SUMMARY:**

The Report to the City Council prepared for the adoption of the Crossroads Redevelopment Project Area acknowledged that existing commercial development located along El Cajon Boulevard was physically and economically blighted. "One of the negative affects of the area is a preponderance of poor commercial uses. When the area was developed it was a primary thoroughfare to East County". "The parcelization of this area occurred when small lots were the norm. Stand alone commercial buildings or small strip malls were built with no amenities such as parking, loading areas or landscaping as now required by development standards".

AMCAL Diversified Corporation (AMCAL) has 26-years of experience in single-family housing and workforce apartments for families and seniors. AMCAL is currently in the planning and

construction phases of more than 1,000 affordable and market-rate units throughout California. The value of the projects completed or in development is more than \$250,000,000. AMCAL recently re-entered the market-rate condominiums market, an area of expertise developed earlier in its history, with the development of the Puerta del Sol Condominiums on Avenue 26 in the Lincoln Heights district of Los Angeles and the Park Avenue Condominiums in downtown Pomona. These two projects are mixed-use with street-level retail.

The subject site is currently occupied by a vacant motel (Aztec Inn), vacant apartment building, liquor store (Keg n Bottle), and two commercial businesses (Little Caesars Pizza and Wireless Toyz). AMCAL's (Developer) Aztec Inn Project would provide 116 for-sale condominiums, consisting of 99 market units and 17 affordable units, approximately 8,050 square feet of ground level retail, and 220 off-street parking spaces in two phases. AMCAL has purchased a 0.94 acre parcel that comprises a majority (65%) of the 1.46-acre subject site. See Attachment 1 to this report for a copy of the Proposed Project Site Plan.

AMCAL has requested potential Agency assistance in the following areas: property acquisition, lease acquisition, relocation assistance and gap financing for the affordable for-sale units. The specific form and amount of Agency activities will be negotiated during the ENA period. If a Disposition and Development Agreement (DDA) for this project is successfully negotiated, it would be brought before the Crossroads Project Area Committee (PAC) for a recommendation and on to the Redevelopment Agency for its consideration.

In the terms of affordable housing, AMCAL is committed to providing 15% of the units as affordable on-site and is working with the Agency regarding the level of affordability (100% or 120% Area Median Income). The Developer has submitted an application under the Agency's affordable housing Notice of Funding Availability (NOFA) program for financial assistance with the affordable units.

The ENA (see Attachment 2) is for 180-days and permits two extensions of 90-days each. The Executive Director of the Agency or designee may grant each extension on behalf of the Agency. The granting of an extension will be subject to the Developer obtaining the necessary letters of intent and performing all other obligations required in the ENA. If such an extension is granted, the Parties will continue to negotiate a DDA with respect to the proposed development of the Project within the extended term.

The ENA includes the following key Developer obligations: provide a cost pro forma describing the sources and uses of funds, and cash flow projections concerning the project; submit a site plan and basic architectural renderings of the project; provide a letter from a financial institution outlining the institution's intent to provide the financing necessary for the project; submit an application to the City for a Comprehensive Preliminary Review; submit a proposal addressing the project's proposed traffic circulation, parking, and design standards; provide an equity commitment that identifies the sources of such equity; work with the Agency and the appropriate community and neighborhood group(s) on the project; prepare the environmental documents required by law; and make every effort to acquire all of the parcels and leaseholds within the Site.

AMCAL could proceed to develop their own 0.94 acre parcel through an Owner Participation Agreement (OPA); however, staff recommends entering into an ENA that includes the entire 1.46 acre site since such a proposal would implement the Community Plan. The Community Plan designates this intersection as a high intensity commercial node that emphasizes pedestrian-oriented and mixed-use development. Without lot consolidation, this recommendation may never be realized. The Redevelopment Plan recommends redevelopment in accordance with the applicable community plan and the revitalization of the commercial corridor along El Cajon Boulevard. The Crossroads Report to City Council states that small parcel sizes within the commercial sections of the Project Area hinder their capacity to be rehabilitated.

#### FISCAL CONSIDERATIONS:

AMCAL will deposit \$70,000 with the Agency, which will be used to pay for outside consultants and attorney's fees to negotiate and prepare a draft Disposition and Development Agreement (DDA).

#### PREVIOUS AGENCY, and/or COMMITTEE ACTION:

On April 22, 2003, the Redevelopment Agency certified the Crossroads Program Environmental Impact Report (Program EIR) SCH Number 200207/002 in accordance California Environmental Quality Act (CEQA) Guidelines.

#### COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:

On September 30, 2005, Redevelopment Agency (Agency) staff initiated the Owner Participation process (letter) in response to AMCAL's request for an Agency ENA. The Agency mailed information letters and Owner Participation Applications (see Attachment 3, for sample letter) to three property owners and three business owners within the footprint of the proposed Project (see Attachment 4). The purpose of the notification and application process was to solicit Property Owners' and Occupants' intent to either participate in or submit a competing proposal to the Aztec Inn Project. Agency staff has received seven telephone inquiries and four written responses. The Agency received written responses from two property owners and two business owners. Three responses indicated an open position and interest in working with the Developer and Agency regarding redevelopment and improving the College Area. The fourth response indicated opposition to the project and no desire to sell. No competing proposals or applications were submitted.

On October 17, 2005, AMCAL's project was presented as an information item before the subcommittee of the Crossroads PAC. On December 8, 2005, the Crossroads PAC voted 6-5-1 to recommend the Agency enter into an ENA. The Agency's participation letter notified property and business owners of the PAC meetings. Affected property and business owners were also sent the agenda and several of them attended both meetings.

KEYSTAKEHOLDERS and PROJECTED IMPACTS:

Residents of the El Cerritos neighborhood, in which the proposed project is located, do not support the project as proposed because of the development's possible impacts regarding: density, bulk and scale, height, traffic, parking and neighborhood transition. Current business tenants and property owners are concerned regarding the possible impacts on their property, businesses and customers.

This action is exempt from environmental review. If a DDA is executed by the Agency, it will be subject to environmental review and compliance. The Developer agrees to provide all necessary assistance to the Agency, and shall be responsible for all costs associated with carrying out environmental review and compliance pursuant to the California Environmental Quality Act (CEQA).

Respectfully submitted,

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Maureen Ostrye, Redevelopment  
Deputy Executive Director

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James T. Waring, Redevelopment  
Assistant Executive Director

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Attachments:

1. Proposed Project Site Plan
2. Exclusive Negotiating Agreement (ENA)
3. Aztec Inn Owner Participation notification/letter (Sample)
4. Property Ownership Map